

PUBLIC DISCLOSURE

OCTOBER 24, 1995

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CONNECTICUT BANK OF COMMERCE
19183

128 AMITY ROAD
WOODBIDGE, CONNECTICUT 06525

FEDERAL DEPOSIT INSURANCE CORPORATION
200 LOWDER BROOK DRIVE
WESTWOOD, MASSACHUSETTS 02090

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Connecticut Bank of Commerce, Woodbridge, Connecticut, prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of October 24, 1995. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

This institution is rated **Satisfactory** based on the following findings.

Institution's Profile:

Connecticut Bank of Commerce is a stock bank with total assets of approximately \$84,439,000 as of June 30, 1995. Its main office is located in Woodbridge, Connecticut, and its branches are located in Branford, Norwalk, and Stamford. The bank has two separate delineated communities, which consist of the New Haven area and Southern Fairfield County. The towns included in these delineated communities are Woodbridge, New Haven, Bethany, Orange, Hamden, West Haven, North Haven, Beacon Falls, Branford, East Haven, Guilford, North Branford, Derby, Ansonia, Seymour, Stamford, Norwalk, Westport, Wilton, Greenwich, New Canaan, and Darien. Refer to Assessment Factor K for additional information regarding the bank's delineated communities and local economic conditions.

I. Ascertainment of Community Credit Needs

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Conclusion/Support:

Directors' and senior managers' active participation in numerous civic organizations enables them to ascertain the credit needs of the community. A Director of the bank is the President of Community Action Agency, an organization which offers résumé assistance and job placement to low- and moderate-income individuals. Other senior managers and directors are also involved in several leading community organizations, such as Fair Haven Housing Initiative, Kiwanis, American Cancer Society, Woodbridge Town Committee Hospice Care, and Tomorrow's Children Fund.

During 1993, the bank participated in a local housing fair. In addition, management met with representatives from the Municipal Economic Development Agency of New Britain, the Inner City Reinvestment Group of New Haven, the Connecticut Small Business Reserve Fund, and local realtors to ascertain the credit needs of the community.

During November 1994, management conducted a customer survey at the bank's main office. Customers identified the need for longer banking hours at each office, safe deposit boxes at the Norwalk branch, and mobile banking services for elderly customers. Management stated that some of these suggestions will be considered for implementation after the bank's financial condition improves.

Management's recent ascertainment efforts have been limited as a result of the bank's poor financial condition. The bank's liquidity position has prohibited management from actively pursuing residential and commercial loan applications; therefore, management has maintained only limited contact with public officials and other community groups. Despite the bank's financial condition, management recognizes the need to maintain ongoing contact with the community.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

Conclusion/Support:

The CRA Statement was reviewed and approved by the Board of Directors on February 16, 1995. This statement accurately describes the bank's record of identifying and meeting the credit needs of the delineated community; however, some products listed in the statement are no longer offered by the bank. For example, a military deposit account which has not been offered since mid-1994 is included on the 1995 CRA Statement.

Since the previous examination, the Directors have become more involved in the review of and participation in the bank's CRA program and activities. The Board addresses CRA matters at regularly scheduled Board meetings. Additionally, a more extensive review of the CRA program is facilitated by a CRA Committee, which meets quarterly and reports its findings to the Board regularly. Some of the topics routinely reviewed by the CRA Committee include ascertainment efforts, CRA training, Director and employee memberships in various civic organizations, and discussions regarding products needed to meet the community's credit needs.

On February 16, 1995, the Board approved the CRA Policy. This policy establishes the responsibilities of the Board, the CRA Officer, the CRA Committee, and bank employees. Training is provided annually to all employees. As part of this training program, employees are scheduled to view the video entitled "The Changing Faces of American Borrowers." This video summarizes the banking regulations pertaining to discrimination and emphasizes each employee's role in preventing discrimination. Senior management stated that the Board strongly believes in CRA and is committed to providing sensitivity training to ensure all employees conduct the bank's business within the spirit of the regulation.

II. Marketing and Types of Credit Offered and Extended

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Conclusion/Support:

Management has conducted only limited marketing activities. No media advertising was conducted during 1994. During March, August, and September 1995, the bank advertised in several area newspapers: The New Haven Register, The Stamford Advocate, The Norwalk Hour, and The Beth-Wood News. These advertisements focused on the bank's general image and deposit interest rates.

As a result of the bank's limited marketing budget, management has sought alternative, low-cost ways to advertise. Management has internally prepared and distributed residential-mortgage advertisements in periodic statements. Additionally, Woodbridge and Branford branch managers placed these advertisements on cars located in the parking lots of adjacent shopping centers. Flyers were also displayed in the lobbies and employees personally marketed additional services to bank customers.

All advertisements are reviewed by senior management prior to release for compliance with all applicable state and federal laws and regulations.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

Conclusion/Support:

According to the bank's Consolidated Report of Condition for June 30, 1995, loans account for approximately 68 percent of total assets. Loans secured by real estate total approximately 78 percent of gross loans and the remainder of the portfolio is made up of commercial and industrial loans (13 percent), consumer loans (3 percent), and lease financing receivables (6 percent). The real estate portfolio is weighted toward residential loans. Loans

secured by one- to four-family dwellings comprise 53 percent of total real estate loans followed by commercial mortgages (42 percent), multifamily residential (4 percent), and construction and land development loans (1 percent).

ASSESSMENT FACTOR I (Continued)

The dollar volume of loans has decreased significantly since 1992. Despite this decrease, the residential mortgage portfolio has increased both in dollars and as a percentage of total loans. The chart below indicates the significant changes in the loan portfolio:

	1992	1993	1994
	\$	\$	\$
Commercial Real Estate	53,562	43,119	34,044
Commercial Other	20,082	15,832	12,757
Residential Real Estate	1,813	11,272	12,663
Consumer	33,406	18,282	2,331
Total Gross Loans	108,863	88,505	61,795

During 1993, the bank made an aggressive effort to gain market share in real estate mortgage lending; however, this growth slowed in 1994. During 1993, the bank sold approximately \$7,118,680 in residential mortgages and during 1994 and 1995 sold approximately \$828,514 in home equity loans.

No purchase money or refinance mortgage loans were originated during 1995. Bank management continues to consider the community's credit needs when resolving problem credits. Senior management has taken a "keep the community in business" philosophy. For example, lending officers worked diligently to avoid foreclosure on a loan secured by commercial real estate located in downtown New Haven. This property, which is located in an economically depressed area, houses a convenience store and a youth center. Reportedly, the mayor of New Haven contacted senior management to request that the bank work with the borrower to keep this business going. Management's attempts to resolve this problem credit without foreclosure indicate their dedication to helping the community survive during difficult economic times. Management attempts to be responsive to the community's credit needs to the best of its ability.

ASSESSMENT FACTOR I (Continued)

The CRA statement identifies the types of credit available to the local community. These include commercial loans, installment loans, student loans, conventional mortgage loans for owner-occupied residences, second home mortgages, and government-sponsored residential mortgage loans. During 1994, the bank also offered small business loans guaranteed by the Small Business Administration (SBA). Currently, the bank does not originate student loans and government-sponsored residential mortgage loans.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

Conclusion/Support:

Prior to 1995, the bank actively originated loans guaranteed by the Small Business Administration (SBA). The bank employed two lenders whose primary responsibilities included SBA lending. During a reorganization in 1994, these SBA lenders were dismissed. As a result, no SBA loans have been made during 1995. Management stated that the bank has not completely discontinued originating SBA loans; however, management is reevaluating its ability to originate SBA loans profitably given the recent accounting changes.

Currently, the bank does not participate in any government-sponsored residential loan programs. Management is negotiating with a local mortgage company to process and originate loan applications. Using an outside mortgage company would enable the bank to make residential mortgage loans available to its customers regardless of the bank's financial condition. Additionally, it would provide customers with a more diverse product line, which will include government-sponsored loan programs. All meetings, from application to closing, will be conducted at the bank's offices for the convenience of customers.

III. Geographic Distribution and Record of Opening and Closing Offices

Reasonableness of Delineated Community

Management has established two delineated communities: Greater New Haven and Lower Fairfield. The Greater New Haven delineated community consists of Woodbridge, New Haven, Bethany, Orange, Hamden, West Haven, North Haven, Branford, East Haven, Guilford, North Branford, Beacon Falls, Derby, Ansonia, and Seymour. The Lower Fairfield delineated community consists of Stamford, Norwalk, Westport, Wilton, Greenwich, New Canaan, and Darien.

According to the 1990 census data, the delineated communities have a combined population of 742,389 and cover approximately 1,223 square kilometers. Approximately 25 percent of the households in the delineated community obtain some or all of their income from social security; approximately 6 percent receive public assistance. Fifty of the 118 census tracts in the delineated community have been designated as low- or moderate-income. Four of these census tracts are located in the Bridgeport MSA, 26 are located in the New Haven/Meriden MSA, and 20 are in the Stamford/Norwalk MSA. The bank's delineated community appears reasonable and does not arbitrarily exclude any low- and moderate-income or predominately minority census tracts.

According to data reported on the Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR), the overall percentage of residential mortgage loans made within the delineated community was 78 percent in 1993, 65 percent in 1994, and 55 percent during the first nine months of 1995.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

Conclusion/Support:

The application rates for minorities and loans secured by properties located in low- and moderate-income census tracts appear low given the percentage of the minority population and the number of owner-occupied housing units in the low- and moderate-income areas. According to the 1990 census data, minorities account for approximately 21 percent of the population. Additionally, owner-occupied housing units in low- and moderate-income census tracts account for roughly 31 percent of the owner-occupied housing stock within the

Bridgeport, New Haven, and Stamford MSAs. These population and housing ratios are some what inconsistent with the application rates depicted in the following table:

ASSESSMENT FACTOR E (Continued)

APPLICATION RATES FROM:	1993	1994	JAN-OCT 1995
Minority	4%	6%	36%
Low to Moderate Income Census Tracts (Within all three MSAs)	4%	8%	9%

During 1994, management conducted an analysis of loan applications and originations by race, gender, and census tract. This analysis also indicated that the application rates from minorities and low- and moderate-income individuals were somewhat low. As a result, management anticipates increasing its outreach efforts within minority and low- and moderate-income communities. Currently, management is refining its management information system to better track the amount and disposition of loan applications received from minorities and low- and moderate-income individuals.

A review of denial rates for home purchase loans, refinances of home purchase loans, and home improvement loans by geographic distribution, income, and race did not indicate any significant disparities.

An analysis of the geographic distribution of loan applications reported on the HMDA-LAR is presented on the following page. This analysis indicates that loan applications were received from all areas of the delineated community during 1993 and 1994.

ASSESSMENT FACTOR E (CONTINUED)

DELINEATED COMMUNITIES	1993		1994		JAN-OCT 1995	
	# APPS	% APPS	# APPS	% APPS	# APPS	% APPS
Woodbridge	9	6%	3	6%	1	9%
New Haven	4	3%	4	8%	1	9%
Bethany	6	4%	0	0%	0	0%
Orange	4	3%	1	2%	0	0%
Hamden	13	9%	3	6%	0	0%
West Haven	4	3%	2	4%	0	0%
North Haven	5	3%	1	2%	0	0%
Beacon Falls	0	0%	0	0%	0	0%
Branford	3	2%	5	10%	0	0%
East Haven	4	3%	1	2%	0	0%
Guilford	5	3%	1	2%	0	0%
North Branford	4	3%	2	4%	0	0%
Ansonia	0	0%	0	0%	0	0%
Derby	2	1%	0	0%	0	0%
Seymour	0	0%	0	0%	0	0%
Greenwich	12	8%	1	2%	0	0%
Stamford	19	13%	6	12%	2	19%
Darien	5	3%	0	0%	0	0%
New Canaan	2	1%	0	0%	0	0%
Wilton	3	2%	0	0%	1	9%
Norwalk	8	5%	2	4%	1	9%
Westport	5	3%	0	0%	0	0%
Inside Community	117	78%	32	65%	6	55%
Outside Community	33	22%	17	35%	5	45%
TOTAL	150	100%	49	100%	11	100%

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

Conclusion/Support:

CBC operates from offices in Woodbridge, Branford, Norwalk and Stamford. The main office is located in Woodbridge near the New Haven town line. All of the bank's offices accept loan applications and offer the same deposit products. Offices appear readily accessible and hours are arranged to accommodate members of the community being served.

All offices have extended hours on Thursdays and Fridays. Since the last examination, the bank has installed automated teller machines (ATMs) at the Branford and Norwalk offices. With the exception of the Stamford location, all offices offer drive-up services and ATMs.

Bank management closed two branches since the last examination. The New Haven branch was closed December 31, 1993, and the Greenwich branch was closed March 1, 1995. Both branches reportedly were unprofitable with poor future prospects. Location, limited accessibility, and problems renegotiating the building leases also contributed to the decision to close the branches.

A Branch Closing Policy was adopted by the Board on April 21, 1994, and was reviewed and reapproved on February 16, 1995. The policy requires management to conduct a CRA Impact Analysis and establishes guidelines for completing this analysis, including regulatory notification and disclosure requirements. Branch closures were accomplished in accordance with the policy.

IV. Discrimination and Other Illegal Credit Practices

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

Conclusion/Support:

No practices intended to discourage applications for the types of credit set forth in the institution's CRA Statement were observed. The bank has implemented a second review process which requires that all denied residential mortgage loans be reviewed by senior management.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

Conclusion/Support:

During 1993, 1994, and 1995, the minority approval rates were 50%, 50%, and 67%, respectively. These approval rates correspond to approval rates for non-minorities during the same time periods.

V. Community Development

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

Conclusion/Support:

During 1994, the bank originated a loan to facilitate the development of a low-income housing project. A \$240,000 loan was provided to a nonprofit organization which acquires real estate to renovate and sell to low- and moderate-income individuals. The loan proceeds were used to purchase 20 condominium units from the Resolution Trust Corporation. The bank made a discounted-rate loan at 6 percent for 6 months and gave the borrower an option to buy out the loan at a discount. The bank also originated another loan for \$350,000 to the same borrower. These proceeds were used to purchase an additional 20 units in the same complex from the bank. According to bank management, the borrower has renovated all of the housing units, which are now 90 percent occupied.

Management has also assisted several low-income families in obtaining government-sponsored financing to purchase residential properties owned by the bank. To obtain Department of Housing and Urban Development (HUD) financing, many of the properties needed extensive repairs.

Additionally in 1993, the bank allowed a local vocational school to construct a single-family house on a parcel of bank-owned real estate. Despite higher offers for the property, the bank funded the construction costs and helped a low-income family purchase the property using proceeds from a government-sponsored mortgage obtained at another institution.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

Conclusion/Support:

The bank serves two separate delineated communities, which consist of the New Haven area and Southern Fairfield County. The city of Woodbridge, where the bank's main office is located, is approximately 30 miles south of Hartford and 15 miles east of Bridgeport. The city is bordered by Bethany on the north, Hamden and New Haven on the east, and Orange on the south. The city comprises approximately 48.78 square kilometers and has an estimated population of 7,924, according to the 1990 census, resulting in a population density of about 162 persons per square kilometer. Major employers in the area are the Southern New England Telephone Company and the health care industry.

Stamford is the principal business center in the southwest section of Fairfield County. With a population of approximately 108,000, Stamford ranks as the second largest of the 23 municipalities comprising Fairfield County, and as the fifth largest city in Connecticut. The local economy is diversified, and has experienced a shift from an industrial base to a trade and service orientation, with the latter now accounting for approximately 75% of total employment in the area. Total employment in the region has decreased over the last four years, with unemployment rates for the city tending to exceed those for the Stamford Labor Market Area, which includes neighboring suburban towns. However, unemployment rates in Stamford tend to compare favorably with state and national averages. The principal assets of Stamford are its location in a historically affluent geographical area, its stable population and employment experience, its proximity to New York City, and the availability of an extensive and efficient transportation network. While the effects of the recent recession have been evidenced by relatively high commercial vacancy rates throughout the region, the impact appears to have been less severe in Stamford than in other large cities in Connecticut, and a significant portion of available space has gradually been absorbed.

The bank continues to operate under an Order to Cease and Desist that was entered into following the FDIC's August 10, 1990, Safety and Soundness examination.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Conclusion/Support:

Management participates in the Subsidized Transitional Employment Program (STEP) offered by the Connecticut Department of Labor (DOL). Since the previous examination, the bank hired two employees under this program. STEP enables the DOL to offer subsidies to employers as an incentive to hire job ready clients from the General Assistance Program. Additionally, the DOL is establishing Regional Job Centers (RJC), which will provide job listings, training, and tax and financial incentives. The bank currently has two positions listed with RJC.

The bank established a checking account designed for low- and moderate-income individuals. This non-interest bearing checking account allows up to ten checks per month with a flat monthly charge of \$4.00.

In addition to various charitable donations made to nonprofit organizations, the bank also lent a safe deposit box to the Jewish Community Center. Additionally, employees participated in the Leukemia Foundation's "Have a Heart" lollipop campaign, the March for Dimes' "Blue Jeans for Babies" campaign, and "Career day" at North Haven High School. Several employees were also active volunteers at the Special Olympic World Games held in New Haven in July 1995.

OTHER INFORMATION

The institution's main office, located in Woodbridge, and the Branford branch office are located in the New Haven/Meriden MSA. The Stamford and Norwalk offices are located in the Stamford MSA.

HMDA statements for other institutions located in the New Haven/Meriden MSA, and the Aggregation Tables for the New Haven MSA (from which HMDA data from all financial institutions in the MSA has been compiled and aggregated by the Federal Reserve Board) may be examined at the following central depository:

Mark Nichols
Office of Housing and Neighborhood Development
165 Church Street - 3rd Floor
New Haven, Connecticut 06510
(203)946-8562

HMDA statements for other institutions located in the Stamford/Norwalk MSA and the Aggregation Tables for the Stamford/Norwalk MSA (from which HMDA data from all financial institutions in the MSA has been compiled and aggregated by the Federal Reserve Board) may be examined at the following central depository:

Timothy Beeble
Director of Stamford Community Development
P.O. Box 10152
Stamford, Connecticut 06904-2152
(203)977-4155

Office Locations:

Main Office: 128 Amity Road, Woodbridge, Connecticut 06525
620 West Main Street, Branford, Connecticut 06405
189 Main Street, Norwalk, Connecticut 06852
200 Broad Street, Stamford, Connecticut 06901